

**CITY OF LAMONI
& LAMONI MUNICIPAL UTILITIES
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2015

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City of Lamoni

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Doug Foster	Mayor	January 2016
Janelle Anders	Council Member	January 2016
Ruth Smith	Council Member	January 2016
Anthony Crandell	Council Member	January 2018
Sherry Morain	Council Member	January 2018
Roger Potts	Council Member	January 2018
Barb Struck	Clerk/Administrator/Treasurer	Indefinite
Judy Harris	Deputy Clerk	Indefinite
Emil Segebart	General Manager/ Lamoni Municipal Utilities	Indefinite
Patrick Greenwood	City Attorney	Indefinite



Diane McGrain, CPA
Jim Menard, CPA

November 17, 2015

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni and Lamoni Municipal Utilities, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued...

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Independent Auditor's Report
City of Lamoni

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni and Lamoni Municipal Utilities as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As disclosed in Note 4 to the financial statements, City of Lamoni adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Lamoni and Lamoni Municipal Utilities' basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the three years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City's Contributions on pages 7 through 12 and 33 through 37 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Continued...

Independent Auditor's Report
City of Lamoni

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 17, 2015 on our consideration of the City of Lamoni's and Lamoni Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lamoni's and Lamoni Municipal Utilities' internal control over financial reporting and compliance.

Schroeder & Associates, PC

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lamoni, we offer readers of the City of Lamoni's financial statements this narrative overview and analysis of the financial activities of the City of Lamoni for the fiscal year ending June 30, 2015. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased by \$469,278 from fiscal 2014 to fiscal 2015. Operating and capital grants decreased approximately \$483,000.
- Disbursements decreased \$978,918, from fiscal 2014 to fiscal 2015. Public safety decreased approximately \$484,000, capital projects decreased approximately \$116,000, culture and recreation decreased approximately \$65,000, community and economic development decreased approximately \$116,000, and debt service decreased approximately \$97,000.
- The City's total cash basis net position decreased by \$244,780 from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities (**the City**) increased \$147,063 and the cash basis net position of the business type activities (**the Utilities**) decreased by \$391,843.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitation resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities (**the City**) include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities (**the Utilities**) include the electric, the gas, the water works, and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The city has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The Governmental Fund Financial Statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities (**the Utilities**). The City maintains four Enterprise Funds to provide separate information for the electric, gas, water and sewer funds, all considered to be major funds of the City.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$147,063 from a year ago. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities			
	Year ended June 30,		
	2015	2014	
Receipts:			
Program receipts:			
Charges for service	\$ 289,238	\$ 301,481	
Operating grants, contributions and restricted interest	472,515	650,383	
Capital grants, contributions and restricted interest	78,228	383,278	
General receipts:			
Property tax	727,699	694,554	
Tax increment financing	-	25,189	
Local option sales tax	129,728	112,202	
Hotel motel tax	35,433	5,318	
Grants and contributions not restricted to specific purposes	1,275	875	
Unrestricted interest on investments	117	231	
Note proceeds	-	30,000	
Total receipts	<u>1,734,233</u>	<u>2,203,511</u>	
Disbursements:			
Public safety	398,475	882,193	
Public works	508,069	586,626	
Culture and recreation	339,483	404,554	
Community and economic development	40,026	156,268	
General government	148,840	170,990	
Debt service	151,664	248,505	
Capital projects	65,283	181,622	
Total disbursements	<u>1,651,840</u>	<u>2,630,758</u>	
Change in cash basis net position before transfers	82,393	(427,247)	
Transfers, net	<u>64,670</u>	<u>82,922</u>	
Change in cash basis net position	147,063	(344,325)	
Cash basis net position beginning of year	<u>682,889</u>	<u>1,027,214</u>	
Cash basis net position end of year	<u>\$ 829,952</u>	<u>\$ 682,889</u>	

The total receipts for governmental activities decreased \$469,278.

The cost of all governmental activities this year was \$1,651,840 compared to \$2,630,758 last year.

Prior year costs were noted for construction of a bathhouse/storm shelter and housing projects.

As shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$811,859, due to costs paid by those directly benefited from the programs of \$289,238 or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest of \$550,743.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service		
Electric	\$ 2,461,093	\$ 2,475,062
Gas	712,281	807,429
Water	468,537	449,725
Sewer	288,677	292,417
Operating grants, contributions and restricted interest	8,310	9,149
General receipts:		
Unrestricted interest on investments	9,200	10,503
Miscellaneous	144,453	58,151
Sale of transmission line	146,200	-
Total receipts	<u>4,238,751</u>	<u>4,102,436</u>
Disbursements:		
Electric	2,954,769	2,563,485
Gas	797,598	805,317
Water	537,710	464,073
Sewer	275,847	284,662
Total disbursements	<u>4,565,924</u>	<u>4,117,537</u>
Change in cash basis net position before transfers	(327,173)	(15,101)
Transfers, net	<u>(64,670)</u>	<u>(82,922)</u>
Change in cash basis net position	(391,843)	(98,023)
Cash basis net position beginning of year	<u>2,076,448</u>	<u>2,174,471</u>
Cash basis net position end of year	<u>\$ 1,684,605</u>	<u>\$ 2,076,448</u>

Total business type activities receipts for the fiscal year were \$4,238,751 compared to \$4,102,436 last year. The cash balance decreased by \$391,843. Total disbursements for the fiscal year increased \$448,387.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Lamoní completed the year, its governmental funds reported a combined fund balance of \$882,952, an increase of \$147,063 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund balance at the end of the year was \$31,076 an increase of \$21,155 from the prior year.
- The Road Use Tax Fund balance at the end of the fiscal year was \$179,799, an increase of \$37,648.
- The Local Option Sales Tax Fund balance at the end of the fiscal year was \$297,398, a decrease of \$96,866 from the prior year due to a transfer to the Capital Projects Fund.
- The Trust Funds Fund balance was \$240,200, an increase of \$18,410 from the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS (LAMONI MUNICIPAL UTILITIES)

- The Electric Fund balance at the end of the fiscal year was \$558,916, a decrease of \$279,669 from the prior year due to three separate events. The EPA forced LMU to install air pollution equipment, which this year's final payment was \$130,881. The substation transformer failed requiring immediate replacement, which cost \$231,774. The north feeder capital improvement project cost was \$65,743. The sum of these expenses was \$428,398. Coincidentally during the same period, LMU sold a transmission line asset yielding \$146,300. The net difference between the expenses and the asset sale was (\$282,098).
- The Gas Fund balance at the end of the fiscal year was \$378,920, a decrease of \$79,523 due to gas purchases and an increase in the level of inventory.
- The Water Fund balance at the end of the fiscal year was \$418,551, a decrease of \$47,252 due to an ongoing capital improvement project at the water department. During the year, the water department paid \$124,948 to CL Carroll and \$5,775 to SICOG while receiving \$36,042 in grant funding for a net of (\$94,681). The fund decrease would have been larger but the council raised the water rates in anticipation of this project. The total project will cost \$441,875, with project expenses carried to the following year as well.
- The Sewer Fund balance at the end of the fiscal year was \$328,218, an increase of \$14,061 from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City budget, which includes the City and the Utilities, was amended by \$26,024 for receipts and \$384,487 for disbursements. Total receipts were approximately \$240,000 more than budgeted. After the budget amendment, total disbursements were approximately \$382,000 more than anticipated primarily due to more disbursements for public safety, public works, culture and recreation, community and economic development, debt service, capital projects and business type activities. See the budgetary comparison schedule included in the financial statements.

DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$2,677,000 in bonds and other long-term debt, compared to approximately \$3,022,000 last year as shown below:

Outstanding Debt at Year End (Expressed in Thousands)			
		Year ended June 30,	
		2015	2014
General obligation notes and bonds	\$	380	\$ 518
Revenue bonds and notes (Utility debt)		2,265	2,466
Other debt		32	38
	\$	<u>2,677</u>	<u>\$ 3,022</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$380,000 is below its constitutional debt limit of approximately \$3,150,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Lamoni's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged for various City activities.

The 2016 budget, tax rates, and fees were based on the needs of each department not covered by its revenue including wages, benefits, and insurance, as well as outstanding debt and capital equipment needs. We levied for the amount necessary to cover expenses that were not fully offset by revenues anticipated.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Barb Stuck, City Clerk, 190 South Chestnut Street, Lamoni, Iowa. Contact Emil Segebart, General Manager, 111 South Chestnut Street, Lamoni, Iowa for questions concerning the Lamoni Municipal Utilities' finances.

**CITY OF LAMONI
& LAMONI MUNICIPAL UTILITIES
BASIC FINANCIAL STATEMENTS**

City of Lamoni
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2015

	Program Receipts				Net (Disbursement) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	\$ 398,475	5,490	40,245	-	(352,740)	-	(352,740)
Public works	508,069	241,410	279,292	-	12,633	-	12,633
Culture and recreation	339,483	41,503	106,022	-	(191,958)	-	(191,958)
Community and economic development	40,026	-	36,330	-	(3,696)	-	(3,696)
General government	148,840	835	10,626	-	(137,379)	-	(137,379)
Debt service	151,664	-	-	-	(151,664)	-	(151,664)
Capital projects	65,283	-	-	78,228	12,945	-	12,945
Total governmental activities	1,651,840	289,238	472,515	78,228	(811,859)	-	(811,859)
Business type activities:							
Electric	2,954,769	2,461,093	3,716	-	-	(489,960)	(489,960)
Gas	797,598	712,281	364	-	-	(84,953)	(84,953)
Water	537,710	468,537	4,134	-	-	(65,039)	(65,039)
Sewer	275,847	288,677	96	-	-	12,926	12,926
Total business type activities	4,565,924	3,930,588	8,310	-	-	(627,026)	(627,026)
Total	\$ 6,217,764	4,219,826	480,825	78,228	(811,859)	(627,026)	(1,438,885)
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					404,747	-	404,747
Employee benefits					187,178	-	187,178
Debt service					135,774	-	135,774
Local option sales tax					129,728	-	129,728
Hotel motel tax					35,433	-	35,433
Grants and contributions not restricted to specific purpose					1,275	-	1,275
Unrestricted interest on investments					117	9,200	9,317
Miscellaneous					-	144,453	144,453
Sale of transmission line					-	146,200	146,200
Transfers					64,670	(64,670)	-
Total general receipts and transfers					958,922	235,183	1,194,105
Change in cash basis net position					147,063	(391,843)	(244,780)
Cash basis net position beginning of year					682,889	2,076,448	2,759,337
Cash basis net position end of year					\$ 829,952	1,684,605	2,514,557
Cash Basis Net Position							
Restricted:							
Expendable:							
Streets					\$ 179,799	-	179,799
Local option referendum purposes					297,398	-	297,398
Trust purposes					240,200	-	240,200
Debt service					-	695,356	695,356
Other purposes					124,242	-	124,242
Unrestricted					(11,687)	989,249	977,562
Total cash basis net position					\$ 829,952	1,684,605	2,514,557

See notes to financial statements.

City of Lamoni
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2015

		Special Revenue			Other Nonmajor Governmental	
	General	Road Use Tax	Local Option Sales Tax	Trust Funds	Funds	Total
Receipts:						
Property tax	\$ 388,885	-	-	-	322,494	711,379
Other city tax	51,295	-	129,728	-	458	181,481
Licenses and permits	1,095	-	-	-	-	1,095
Use of money and property	36,797	-	-	270	-	37,067
Intergovernmental	19,401	241,655	-	71,102	78,228	410,386
Charges for service	241,951	-	-	-	-	241,951
Miscellaneous	31,567	-	-	119,307	-	150,874
Total receipts	<u>770,991</u>	<u>241,655</u>	<u>129,728</u>	<u>190,679</u>	<u>401,180</u>	<u>1,734,233</u>
Disbursements:						
Operating:						
Public safety	277,963	-	46,114	2,709	71,689	398,475
Public works	227,044	204,007	3,880	31,637	41,501	508,069
Culture and recreation	203,388	-	21,694	86,198	28,203	339,483
Community and economic development	20,095	-	-	19,008	923	40,026
General government	123,273	-	-	173	25,394	148,840
Debt service	-	-	-	-	151,664	151,664
Capital projects	-	-	-	-	65,283	65,283
Total disbursements	<u>851,763</u>	<u>204,007</u>	<u>71,688</u>	<u>139,725</u>	<u>384,657</u>	<u>1,651,840</u>
Excess (deficiency) of receipts over (under) disbursements	(80,772)	37,648	58,040	50,954	16,523	82,393
Other financing sources (uses):						
Transfers in	101,927	-	-	-	208,135	310,062
Transfers out	-	-	(154,906)	(32,544)	(57,942)	(245,392)
Total other financing sources (uses)	<u>101,927</u>	<u>-</u>	<u>(154,906)</u>	<u>(32,544)</u>	<u>150,193</u>	<u>64,670</u>
Change in cash balances	21,155	37,648	(96,866)	18,410	166,716	147,063
Cash balances beginning of year	<u>9,921</u>	<u>142,151</u>	<u>394,264</u>	<u>221,790</u>	<u>(85,237)</u>	<u>682,889</u>
Cash balances end of year	<u>\$ 31,076</u>	<u>179,799</u>	<u>297,398</u>	<u>240,200</u>	<u>81,479</u>	<u>829,952</u>
Cash Basis Fund Balances						
Restricted for:						
Streets	\$ -	179,799	-	-	-	179,799
Local option referendum purposes	-	-	297,398	-	-	297,398
Trust purposes	-	-	-	240,200	-	240,200
Other purposes	-	-	-	-	124,242	124,242
Assigned for capital projects	20,708	-	-	-	-	20,708
Unassigned	<u>10,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,763)</u>	<u>(32,395)</u>
Total cash basis fund balances	<u>\$ 31,076</u>	<u>179,799</u>	<u>297,398</u>	<u>240,200</u>	<u>81,479</u>	<u>829,952</u>

See notes to financial statements.

City of Lamoni – Lamoni Municipal Utilities
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2015

	Enterprise Funds				
	Electric	Gas	Water	Sewer	Total
Operating receipts:					
Charges for service	\$ 2,461,093	712,281	468,537	288,677	3,930,588
Operating disbursements:					
Business type activities	<u>2,472,750</u>	<u>797,598</u>	<u>413,553</u>	<u>194,935</u>	<u>3,878,836</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(11,657)	(85,317)	54,984	93,742	51,752
Non-operating receipts (disbursements):					
Interest on investments	4,798	2,189	1,617	596	9,200
Rent	3,716	364	4,134	96	8,310
Miscellaneous	139,320	3,241	813	1,079	144,453
Sale of transmission line	146,200	-	-	-	146,200
Debt service	(199,230)	-	(19,440)	(68,152)	(286,822)
Capital projects	<u>(282,789)</u>	<u>-</u>	<u>(104,717)</u>	<u>(12,760)</u>	<u>(400,266)</u>
Total non-operating receipts (disbursements)	<u>(187,985)</u>	<u>5,794</u>	<u>(117,593)</u>	<u>(79,141)</u>	<u>(378,925)</u>
Excess (deficiency) of receipts over (under) disbursements	(199,642)	(79,523)	(62,609)	14,601	(327,173)
Other financing uses:					
Transfers in	-	-	36,042	-	36,042
Transfers out	<u>(80,027)</u>	<u>-</u>	<u>(20,685)</u>	<u>-</u>	<u>(100,712)</u>
	<u>(80,027)</u>	<u>-</u>	<u>15,357</u>	<u>-</u>	<u>(64,670)</u>
Change in cash balances	(279,669)	(79,523)	(47,252)	14,601	(391,843)
Cash balances beginning of year	<u>838,585</u>	<u>458,443</u>	<u>465,803</u>	<u>313,617</u>	<u>2,076,448</u>
Cash balances end of year	<u>\$ 558,916</u>	<u>378,920</u>	<u>418,551</u>	<u>328,218</u>	<u>1,684,605</u>
Cash Basis Fund Balances					
Restricted for debt service	\$ 369,679	-	320,000	5,677	695,356
Unrestricted	<u>189,237</u>	<u>378,920</u>	<u>98,551</u>	<u>322,541</u>	<u>989,249</u>
Total cash basis fund balances	<u>\$ 558,916</u>	<u>378,920</u>	<u>418,551</u>	<u>328,218</u>	<u>1,684,605</u>

See notes to financial statements.

City of Lamoni
Notes to Financial Statements
June 30, 2015

NOTE (1) Summary of Significant Accounting Policies

The City of Lamoni is a political subdivision of the State of Iowa located in Decatur County. It was first incorporated in 1885 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also manages the Lamoni Municipal Utilities (the Utilities) which provide electric, gas, water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Lamoni has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Decatur County Assessor's Conference Board, the Decatur County Emergency Management Commission, and the Wayne- Ringgold-Decatur County Solid Waste Management Commission and Southern Iowa Council of Governments.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Lamoni
Notes to Financial Statements
June 30, 2015

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of cash balances that do not meet the definition of the preceding category. Unrestricted net position often have constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

City of Lamoni
Notes to Financial Statements
June 30, 2015

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue - Continued:

The Local Option Sales Tax Fund accounts for the local option sales tax received to be used for property tax relief, public safety and culture and recreation.

The Trust Funds Fund is used to account for resources from grantors who have specified how the funds should be spent.

Lamoni Municipal Utilities reports the following major proprietary funds:

The Enterprise, Electric Fund accounts for the delivery of electricity to the citizens and businesses of the City.

The Enterprise, Gas Fund accounts for the delivery of natural gas to the citizens and businesses of the City.

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Lamoni maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balances and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Lamoni
Notes to Financial Statements
June 30, 2015

NOTE (1) Summary of Significant Accounting Policies - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development, debt service, capital projects, and business type activities functions.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2013, to compute the amounts which became liens on property on July 1, 2014. These taxes were due and payable in two installments on September 30, 2014 and March 31, 2015, at the Decatur County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

City of Lamoni
Notes to Financial Statements
June 30, 2015

NOTE (2) Cash and Pooled Investments - Continued

At June 30, 2015, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
EE bonds	\$ <u>275</u>	\$ <u>500</u>	January 2015

In addition, the Utilities had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$907 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The Utilities' investment in the Iowa Public Agency Trust is unrated.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation and other debt, (the City's) and revenue debt (the Utilities') are as follows:

Year Ending June 30,	General Obligation Bonds & Notes		Revenue Bonds & Notes		Other Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 109,659	11,446	207,000	80,530	6,000	-	322,659	91,976
2017	111,594	7,577	210,000	74,733	6,000	-	327,594	82,310
2018	53,555	3,637	217,000	68,399	6,000	-	276,555	72,036
2019	55,546	2,297	225,000	61,569	6,000	-	286,546	63,866
2020	49,404	778	238,000	54,193	6,000	-	293,404	54,971
2021-2025	-	-	1,077,000	144,587	2,500	-	1,079,500	144,587
2026-2030	-	-	91,000	8,340	-	-	91,000	8,340
	<u>\$ 379,758</u>	<u>25,735</u>	<u>2,265,000</u>	<u>492,351</u>	<u>32,500</u>	<u>-</u>	<u>2,677,258</u>	<u>518,086</u>

Interest costs paid during the year ended June 30, 2015 totaled \$102,136. The City paid \$16,314 and the Utilities paid \$85,822.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund. The City has a general obligation debt limit of approximately \$3,150,000 which was not exceeded during the year ended June 30, 2015.

City of Lamoni
Notes to Financial Statements
June 30, 2015

NOTE (3) Bonds and Notes Payable – Continued

Revenue Notes

The Utilities have pledged future water customer receipts, net of specified operating disbursements, to repay \$293,000 issued in January 2010. Proceeds from the notes provided financing for the construction of water main extensions and improvements to the water treatment facility. The notes are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the notes are expected to require less than 80% of net receipts. Total principal and interest remaining to be paid on the notes is \$296,840. For the current year, principal and interest paid and total customer net receipts were \$19,440 and \$54,984, respectively.

The Utilities have pledged future sewer customer receipts, net of specified operating disbursements, to repay \$514,000 in sewer revenue notes issued in June 2002, and \$594,000 in sewer revenue notes issued in October 2002. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 90% of net receipts. The total principal and interest remaining to be paid on the notes is \$497,516. For the current year, principal and interest paid and total customer net receipts were \$68,152 and \$93,742, respectively.

The Utilities have pledged future electric customer receipts, net of specific operating disbursements, to repay \$2,200,000 in electric revenue notes issued on June 30, 2010. Proceeds from the notes are to provide financing for the construction of improvements to the municipal electric utility system, including the acquisition and installation of two diesel generators. The notes are payable solely from electric customer receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require 90% of net receipts. Total principal and interest remaining to be paid on the notes is \$1,962,995. For the current year, principal and interest payments and total customer net receipts were \$199,230 and (\$11,657), respectively.

The resolutions providing for the issuance of the water revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the water enterprise activity and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate water revenue note sinking account for the purpose of making the note principal and interest payments when due.
- c) \$70,000 is required to be maintained in a water revenue note reserve account. The account is restricted for the purpose of paying the note principal and interest payments whenever, for any reason, the funds in the water revenue note sinking account are insufficient to pay such principal and interest when due.

City of Lamoni
Notes to Financial Statements
June 30, 2015

NOTE (3) Bonds and Notes Payable – Continued

- d) Monthly transfers of \$1,500 shall be made to the water revenue note improvement and extension account, after the sinking and reserve funds have been adequately funded. Transfers are to be made until \$125,000 has been accumulated. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for correcting any deficiencies in the sinking and revenue accounts.
- e) All funds remaining in the water account after the payment of all maintenance and operating expenses and required transfers shall be placed in the water revenue surplus account within the Enterprise Funds until a minimum of \$125,000 is accumulated. This account is restricted for the purpose of correcting any deficiencies in the sinking, reserve, and improvement and extension accounts.
- f) User rates shall be established at a level which produces and maintains net receipts at a level not less than 125% of the amount of principal and interest on the notes falling due in the next year.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the sewer enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- c) All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in the sewer revenue surplus account within the Enterprise Funds. This account is restricted for the purpose of correcting any deficiencies in the sinking account.
- d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the next year.

City of Lamoni
Notes to Financial Statements
June 30, 2015

NOTE (3) Bonds and Notes Payable – Continued

The resolution providing for the issuance of the electric revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the electric enterprise activity and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate electric revenue note sinking account for the purpose of making the note principal and interest payments when due.
- c) \$202,985 shall be deposited and maintained in an electric revenue note reserve account. The account is restricted for the purpose of paying the principal and interest payments whenever, for any reason, the funds in the electric revenue note sinking account is insufficient to pay such principal and interest when due.
- d) \$150,000 shall be deposited and maintained in an electric revenue note improvement and extension account. This account is restricted for the purpose of paying any improvement, extension or repair to the system, or for correcting any deficiencies in the sinking and reserve accounts.
- e) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the next year.

Lamoni Municipal Utilities is in compliance with the provisions of the water and sewer bond resolution above. However, net receipts for the Electric Fund were insufficient to cover the debt service payments for the current fiscal year.

NOTE (4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

City of Lamoni
Notes to Financial Statements
June 30, 2015

NOTE (4) Pension Plan – Continued

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$93,460.

City of Lamoni
Notes to Financial Statements
June 30, 2015

NOTE (4) Pension Plan – Continued

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions –

At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$526,599. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0132677 percent, which was a decrease of 0.0007825 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$50,128, \$30,851 and \$250,838 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation	3.00 percent
(effective June 30, 2014)	
Salary increases	4.00 percent, average, including inflation
(effective June 30, 2014)	
Investment rate of return	7.50 percent per annum, compounded annually, net of pension plan
(effective June 30, 1996)	investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

City of Lamoni
Notes to Financial Statements
June 30, 2015

NOTE (4) Pension Plan – Continued

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$ 1,096,068	\$ 526,599	\$ 46,014

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

City of Lamoni
Notes to Financial Statements
June 30, 2015

NOTE (5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. City employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon retirement, up to a maximum of 480 hours. These accumulations are not recognized as disbursements by the City until used or paid. The City's and the Utilities' approximate liability for earned vacation and sick leave payable to employees at June 30, 2015 are as follows:

Type of Benefit	Amount
Vacation	\$ 57,500
Sick leave	152,500
	<u>\$ 210,000</u>

Of this amount the City is liable for \$64,000 primarily relating to the General Fund and the Utilities are liable for \$146,000. This liability is computed on rates of pay effective as of June 30, 2015.

NOTE (6) Other Postemployment Benefits (OPEB)

City Employee Benefits

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 10 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$550 for single coverage and \$1,267 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015 there were no plan members eligible for benefits.

Utility Employee Benefits

Plan Description - The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There were 14 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

City of Lamoni
Notes to Financial Statements
June 30, 2015

NOTE (6) Other Postemployment Benefits (OPEB) - Continued

Utility Employee Benefits - Continued

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility and plan members are \$449 for single coverage and \$1,035 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the Utility contributed \$219 and plan members eligible for benefits contributed \$438 to the plan.

NOTE (7) Commitment – Colony Housing Authority

In December 1979, the City entered into an agreement with Colony Housing Authority (CHA) of Lamoni, whereby CHA, who constructed and maintains a multiple dwelling complex for senior citizens, agreed to provide dining facilities for 30 additional persons. In consideration for the above, the City agreed to pay CHA \$500 per month commencing October 1, 1980, for a period of 480 months. The remaining balance at June 30, 2015 is \$32,500.

NOTE 8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue	
	Employee Benefit	\$ 21,900
	Proprietary	
	Electric	80,027
		<u>101,927</u>
Proprietary Sewer	Capital Projects	36,042
Capital Projects	Special Revenue	
	Trusts	32,544
	Local Option Sales Tax	154,906
		<u>187,450</u>
Debt Service	Proprietary	
	Water	20,685
		<u>20,685</u>
		\$ <u><u>346,104</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

City of Lamoni
Notes to Financial Statements
June 30, 2015

NOTE (9) Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (10) Wayne- Ringgold- Decatur County Solid Waste Management Commission

The City, in conjunction with thirty-one other municipalities and counties, has created the Wayne-Ringgold-Decatur County Solid Waste Management Commission. The Commission was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Commission is governed by a board composed of an elected representative of the governed body of each participating governmental jurisdiction. During the year ended June 30, 2015, the City of Lamoni paid the Wayne-Ringgold Decatur County Solid Waste Management Commission \$23,240. The City's future commitment is based on its population, which is currently computed at \$2.50 per capita per quarter.

Completed financial statements for the Commission can be obtained from the Commission.

NOTE (11) Deficit Fund Balances

At June 30, 2015, the City had the following deficit fund balances:

Debt Service	\$	42,763
Capital Projects Fund – FEMA Account		9,025
Total	\$	<u>51,788</u>

The deficits will be eliminated with transfers and grant reimbursements.

NOTE (12) Conduit Debt Obligation

In November 2013, the City issued \$9.5 million in refunding bonds for Graceland University. These bonds are special limited obligations of the City, payable solely from and secured by a pledge of revenues to be received from the University. The bonds do not constitute a debt, or pledge of the faith and credit of the City, and accordingly, have not been reported in the accompanying financial statements. The balance outstanding on the bonds at June 30, 2015 is \$9.5 million.

NOTE (13) Construction Commitments

At June 30, 2015, the City had an engineer contract commitment of \$133,700 an airport runway extension.

At June 30, 2015, Lamoni Municipal Utilities had contract commitments of \$307,290 for water and sewer improvement projects. Included in this commitment is a retainage due of \$4,326.

City of Lamoni
Notes to Financial Statements
June 30, 2015

NOTE (14) Subsequent Events

In August 2015, the City issued debt of \$444,060 to be used for airport land acquisition, construction and improvements. The debt is to be paid with revenue received from airport fuel sales and land rent.

Other Information

City of Lamoni
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts						
Property tax	\$ 711,379	-	711,379	696,143	718,527	(7,148)
Other city tax	181,481	-	181,481	128,000	128,000	53,481
Licenses and permits	1,095	-	1,095	-	3,640	(2,545)
Use of money and property	37,067	17,510	54,577	-	-	54,577
Intergovernmental	410,386	-	410,386	288,070	288,070	122,316
Charges for service	241,951	3,930,588	4,172,539	4,448,808	4,448,808	(276,269)
Miscellaneous	150,874	144,453	295,327	-	-	295,327
Total receipts	1,734,233	4,092,551	5,826,784	5,561,021	5,587,045	239,739
Disbursements						
Public safety	398,475	-	398,475	261,048	315,535	(82,940)
Public works	508,069	-	508,069	445,594	445,594	(62,475)
Culture and recreation	339,483	-	339,483	198,999	198,999	(140,484)
Community and economic development	40,026	-	40,026	3,100	3,100	(36,926)
General government	148,840	-	148,840	285,726	285,726	136,886
Debt service	151,664	-	151,664	132,671	132,671	(18,993)
Capital projects	65,283	-	65,283	30,000	30,000	(35,283)
Business type activities	-	4,565,924	4,565,924	4,094,180	4,424,180	(141,744)
Total disbursements	1,651,840	4,565,924	6,217,764	5,451,318	5,835,805	(381,959)
Excess (deficiency) of receipts over (under) disbursements	82,393	(473,373)	(390,980)	109,703	(248,760)	(142,220)
Other financing sources, net:	64,670	81,530	146,200	79,506	509,079	(362,879)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	147,063	(391,843)	(244,780)	189,209	260,319	(505,099)
Balances beginning of year	682,889	2,076,448	2,759,337	2,889,946	2,889,946	(130,609)
Balances end of year	\$ 829,952	1,684,605	2,514,557	3,079,155	3,150,265	(635,708)

See accompanying independent auditors' report.

City of Lamoni
Notes to Other Information – Budgetary Reporting
June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$384,487. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amended amounts budgeted in the public safety, public works, culture and recreation, community and economic development, debt service, capital projects, and business type activities functions.

City of Lamoni
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employee's Retirement System
Last Fiscal Year*
(In Thousands)
Other Information

City's proportion of the net pension liability	0.013268 %
City's proportionate share of the net pension liability	\$ 527
City's covered-employee payroll	\$ 1066
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	49.44%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditors' report.

City of Lamoni
Schedule of City Contributions
Iowa Public Employee's Retirement System
Last Seven Fiscal Years
(In Thousands)
Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statutorily required contribution	\$ 93	97	90	85	72	69	62
Contributions in relation to the statutorily required contribution	<u>93</u>	<u>97</u>	<u>90</u>	<u>85</u>	<u>72</u>	<u>69</u>	<u>62</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 1,027	1,066	1,023	1,022	986	997	941
Contributions as a percentage of covered-employee payroll	9.10%	9.09%	8.84%	8.31%	7.29%	6.96%	6.59%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditors' report.

City of Lamoni
Notes to Other Information – Pension Liability
Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

City of Lamoni
Schedule of Cash Receipts, Disbursements and Changes
in Cash Balances – Nonmajor Governmental Funds
As of and for the year ended June 30, 2015

	Special Revenue				
	Employee	Urban	Debt	Capital	
	Benefits	Renewal	Service	Projects	Total
		Tax Increment			
Receipts:					
Property tax	\$ 186,912	-	135,582	-	322,494
Other city tax	266	-	192	-	458
Intergovernmental	-	-	-	78,228	78,228
Total receipts	<u>187,178</u>	<u>-</u>	<u>135,774</u>	<u>78,228</u>	<u>401,180</u>
Disbursements:					
Operating:					
Public safety	71,689	-	-	-	71,689
Public works	41,501	-	-	-	41,501
Culture and recreation	28,203	-	-	-	28,203
Community and economic development	-	923	-	-	923
General government	25,394	-	-	-	25,394
Debt service	-	-	151,664	-	151,664
Capital projects	-	-	-	65,283	65,283
Total disbursements	<u>166,787</u>	<u>923</u>	<u>151,664</u>	<u>65,283</u>	<u>384,657</u>
Excess (deficiency) of receipts over (under) disbursements	20,391	(923)	(15,890)	12,945	16,523
Other financing sources (uses):					
Transfers in	-	-	20,685	187,450	208,135
Transfers out	(21,900)	-	-	(36,042)	(57,942)
Total other financing sources (uses)	<u>(21,900)</u>	<u>-</u>	<u>20,685</u>	<u>151,408</u>	<u>150,193</u>
Change in cash balances	(1,509)	(923)	4,795	164,353	166,716
Cash balances beginning of year	<u>84,831</u>	<u>38,626</u>	<u>(47,558)</u>	<u>(161,136)</u>	<u>(85,237)</u>
Cash balances end of year	<u>\$ 83,322</u>	<u>37,703</u>	<u>(42,763)</u>	<u>3,217</u>	<u>81,479</u>
Cash Basis Fund Balances					
Restricted for other purposes	\$ 83,322	37,703	-	3,217	124,242
Unassigned	-	-	(42,763)	-	(42,763)
Total cash basis fund balances	<u>\$ 83,322</u>	<u>37,703</u>	<u>(42,763)</u>	<u>3,217</u>	<u>81,479</u>

See accompanying independent auditors' report.

City of Lamoni
Combining Schedule of Cash Receipts, Disbursements and Changes
in Cash Balances – Capital Projects Fund
As of and for the year ended June 30, 2015

	Capital Projects					
	Street	Sewer	Trail	Airport	Fema	Total
Receipts:						
Intergovernmental	\$ -	36,042	-	-	42,186	78,228
Total receipts	-	36,042	-	-	42,186	78,228
Disbursements:						
Capital projects	-	-	-	9,025	56,258	65,283
Total disbursements	-	-	-	9,025	56,258	65,283
Excess (deficiency) of receipts over (under) disbursements	-	36,042	-	(9,025)	(14,072)	12,945
Other financing sources (uses)						
Transfers in	-	-	-	-	187,450	187,450
Transfers out	-	(36,042)	-	-	-	(36,042)
Total other financing sources (uses)	-	(36,042)	-	-	187,450	151,408
Change in cash balances	-	-	-	(9,025)	173,378	164,353
Cash balances beginning of year	6,571	-	5,671	-	(173,378)	(161,136)
Cash balances end of year	\$ 6,571	-	5,671	(9,025)	-	3,217
Cash Basis Fund Balances						
Restricted for capital projects	\$ 6,571	-	5,671	-	-	12,242
Unassigned	-	-	-	(9,025)	-	(9,025)
Total cash basis fund balances	\$ 6,571	-	5,671	(9,025)	-	3,217

See accompanying independent auditors' report.

City of Lamoni
Schedule of Indebtedness
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds and notes:									
Water improvement	Mar 1, 2001	1.75%	\$ 298,000	\$ 118,000	-	18,000	100,000	2,065	-
Fire station	Jul 7, 2005	4.10%	300,000	35,000	-	35,000	-	1,435	-
Street improvement	Oct 15, 2007	4.45-4.50%	385,000	145,000	-	45,000	100,000	6,455	-
Sewer improvement	May 23, 2013	2.93%	310,000	190,262	-	30,504	159,758	5,586	-
Equipment	Nov 19, 2013	3.95%	30,000	30,000	-	10,000	20,000	773	-
				\$ 518,262	-	138,504	379,758	16,314	-
Revenue bonds and notes:									
Water	Jan 27, 2010	1.75%	\$ 293,000	\$ 248,000	-	12,000	236,000	7,440	-
Sewer	Jun 30, 2002	1.75%	514,000	243,000	-	27,000	216,000	4,252	-
Sewer	Oct 15, 2002	1.75%	594,000	280,000	-	32,000	248,000	4,900	-
Electric	June 30, 2010	3.25-4.65%	2,200,000	1,695,000	-	130,000	1,565,000	69,230	-
				\$ 2,466,000	-	201,000	2,265,000	85,822	-
Other debt									
Crown colony contract	Oct 1, 1980	0.00%	\$ 240,000	\$ 38,500	-	6,000	32,500	-	-

See accompanying independent auditors' report.

City of Lamoni and Lamoni Municipal Utilities
Bond and Note Maturities
June 30, 2015

Year Ending June 30,	General Obligation Bonds and Notes									
	Water Improvement		Street Improvement		Sewer Improvement		Equipment			
	Issued Mar 1, 2001 Interest Rates	Amount	Issued Oct 15, 2007 Interest Rates	Amount	Issued May 23, 2013 Interest Rates	Amount	Issued Nov 19, 2013 Interest Rates	Amount	Total	
2016	1.75%	\$ 18,000	4.45%	\$ 50,000	2.93%	\$ 31,659	3.95%	\$ 10,000	\$ 109,659	
2017	1.75%	19,000	4.50%	50,000	2.93%	32,594	3.95%	10,000	111,594	
2018	1.75%	20,000	-	-	2.93%	33,555	-	-	53,555	
2019	1.75%	21,000	-	-	2.93%	34,546	-	-	55,546	
2020	1.75%	22,000	-	-	2.93%	27,404	-	-	49,404	
		<u>\$ 100,000</u>		<u>\$ 100,000</u>		<u>\$ 159,758</u>		<u>\$ 20,000</u>	<u>\$ 379,758</u>	

Year Ending June 30,	Revenue Bonds and Notes									
	Sewer		Sewer		Water		Electric		Other Debt	
	Issued Jun 30, 2002 Interest Rates	Amount	Issued Oct 15, 2002 Interest Rates	Amount	Issued Jan 27, 2010 Interest Rates	Amount	Issued June 30, 2010 Interest Rates	Amount	Issued Oct 1, 1980 Interest Rates	Amount
2016	1.75%	\$ 28,000	1.75%	\$ 32,000	3.00%	\$ 12,000	3.25%	\$ 135,000	0.00%	\$ 6,000
2017	1.75%	29,000	1.75%	33,000	3.00%	13,000	3.60%	135,000	0.00%	6,000
2018	1.75%	30,000	1.75%	34,000	3.00%	13,000	3.80%	140,000	0.00%	6,000
2019	1.75%	31,000	1.75%	35,000	3.00%	14,000	4.00%	145,000	0.00%	6,000
2020	1.75%	32,000	1.75%	37,000	3.00%	14,000	4.15%	155,000	0.00%	6,000
2021	1.75%	33,000	1.75%	38,000	3.00%	15,000	4.30%	160,000	0.00%	2,500
2022	1.75%	33,000	1.75%	39,000	3.00%	15,000	4.40%	165,000	-	-
2023	-	-	-	-	-	16,000	4.50%	170,000	-	-
2024	-	-	-	-	-	16,000	4.65%	175,000	-	-
2025	-	-	-	-	-	17,000	4.65%	185,000	-	-
2026	-	-	-	-	-	17,000	-	-	-	-
2027	-	-	-	-	-	18,000	-	-	-	-
2028	-	-	-	-	-	18,000	-	-	-	-
2029	-	-	-	-	-	19,000	-	-	-	-
2030	-	-	-	-	-	19,000	-	-	-	-
		<u>\$ 216,000</u>		<u>\$ 248,000</u>		<u>\$ 236,000</u>		<u>\$ 1,565,000</u>		<u>\$ 32,500</u>

See accompanying independent auditors' report.

City of Lamoni
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Receipts:										
Property tax	\$ 711,379	678,267	666,970	715,520	673,979	609,167	585,581	522,565	528,850	516,208
Tax increment financing collections	-	25,189	24,090	24,712	28,905	27,026	28,035	40,922	37,754	48,751
Other city tax	181,481	133,807	140,328	146,118	128,294	135,169	124,125	132,198	122,015	103,695
Licenses and permits	1,095	2,720	1,830	1,300	941	1,275	1,330	17,848	2,923	5,320
Use of money and property	37,067	38,372	15,246	16,324	10,587	13,468	15,705	14,939	15,587	16,966
Intergovernmental	410,386	799,886	716,831	307,034	375,204	533,304	581,540	281,586	296,819	646,347
Charges for service	241,951	252,881	261,177	248,752	236,843	209,887	215,379	190,563	190,790	185,773
Miscellaneous	150,874	242,389	150,448	96,866	115,101	93,101	76,969	167,901	207,189	131,358
Total	\$ 1,734,233	2,173,511	1,976,920	1,556,626	1,569,854	1,622,397	1,628,684	1,368,522	1,401,927	1,654,418
Disbursements:										
Operating:										
Public safety	\$ 398,475	882,193	375,098	436,667	338,027	302,133	326,683	232,799	282,443	764,396
Public works	508,069	586,626	962,599	583,188	550,816	541,905	483,886	499,136	421,147	422,318
Culture and recreation	339,483	404,554	292,263	256,184	286,084	278,841	261,384	226,990	197,735	311,418
Community and economic development	40,026	156,268	46,439	40,073	64,046	27,035	64,795	137,163	95,912	73,196
General government	148,840	170,990	132,623	160,729	147,623	146,803	158,924	138,969	126,163	139,699
Debt service	151,664	248,505	117,873	27,040	203,290	205,571	201,079	144,511	343,423	338,720
Capital projects	65,283	181,622	-	1,263	400	162,113	426,256	330,787	123,014	412,303
Total	\$ 1,651,840	2,630,758	1,926,895	1,505,144	1,590,286	1,664,401	1,923,007	1,710,355	1,589,837	2,462,050

See accompanying independent auditors' report.

City of Lamoni



Diane McGrain, CPA
Jim Menard, CPA

November 17, 2015

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni, Iowa, as of and for the year ended June 30, 2015, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 17, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepting accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Lamoni's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Lamoni's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Lamoni's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be either a material weakness or a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Lamoni's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

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council bluffs, iowa 51503
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City of Lamoni
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lamoni's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Lamoni's Responses to Findings

City of Lamoni's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Lamoni's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lamoni and Lamoni Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroer & Associates, PC

City of Lamoni
Schedule of Findings
Year Ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Budgetary Controls

Comment – The line item budget, per the monthly budget reports, should be used by each department as a control for spending. However, we noted the line item budget did not reflect the total function level limits set by the approved budget.

Recommendation – The approved budget should reflect the total requirements of all functions from all funds. The line item budget should then reflect the function limits that are approved. The budget should be used as a spending control by each department. The budget should be amended before budget limits are exceeded.

Response – We will compare our line item budget totals to the published budget.

Conclusion – Response accepted.

I-B-15 Invoice Support

Comment – One invoice for the City was not available to support three claims tested. Management did contact the vendor for a duplicate of the invoice.

Recommendation – All claims paid should be supported by the original voided invoiced document and properly filed.

Response – We will do this.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting:

II-A-15 Certified Budget

Comment – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development, debt service, capital projects, and business type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We estimate to the best of our ability the amounts that need to be amended. The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

II-B-15 Questionable Disbursements

Comment – We noted an office supplier provides free gifts to the Lamoni Municipal Utilities when supplies are ordered. Per Iowa Code, Section 68B.22 public officials should not accept such gifts personally.

Recommendation – Such gifts should be returned to the supplier or may be disposed of by assignment of public use or by public sale.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

II-C-15 Travel Expense

We noted no disbursements of City money for travel expenses of spouses of City officials or employees.

II-D-15 Business Transactions

We noted no business transactions between the City and City officials, or employees.

II-E-15 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting (Continued):

II-F-15 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-15 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-15 Revenue Bonds and Notes

Comment – The net receipts of the Electric Fund for the current year were insufficient to cover debt service payments as required by the revenue note resolution.

Recommendation – The City should review alternatives in order to comply with the resolution.

Response – The majority of expenses incurred during the year were unusual and unavoidable, and not part of a routine year.

Conclusion – Response accepted.

II-I-15 Financial Condition

Comment - At June 30, 2015, the City had the following deficit fund balances:

Debt Service	\$	42,763
Capital Projects Fund – Airport Account		9,025
Total	\$	<u>51,788</u>

Recommendation –The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

Response – We will do so. The deficit in the Debt Service Fund was due to insufficient transfers from the Special Revenue, Local Option Sales Tax Fund that were budgeted to be used for property tax relief. The deficit in the Capital Projects – Airport Account will be eliminated with grant reimbursements.

Conclusion – Response accepted.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting (Continued):

II-J-15 Excess Balance

Comment – The balance in the Special Revenue Fund – Local Option Sales Tax Account at June 30, 2015, was in excess of the fund's disbursements during the year.

Recommendation – The City should determine the necessity of maintaining the substantial balance.

Response – We are in the process of implementing a capital improvement plan that will use the LOST funds.

Conclusion – Response accepted.

II-K-15 Excess Tax Increment Financing Balance

Comment – The City's TIF balance includes funds collected and remitted to the City for property taxes assessed on a property in which the business had closed.

Recommendation – Chapter 403.19 requires the City to certify any reduction in the TIF debt for any reason to the County Auditor. The City should complete Form 3 of the TIF Indebtedness Certification to reduce the TIF indebtedness outstanding for cash on hand at June 30, 2015.

Response – We plan on using the funds on hand for new tax rebates in the district.

Conclusion – The new debt should be certified and then the City should decertify for the amount of the cash balance on hand.

II-L-15 Urban Renewal Annual Report

The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

II-M-15 Inactive Capital Projects

Comment – The Capital Projects – Street and Trail Funds are inactive.

Recommendation – The City should make the appropriate transfer to close the funds.

Response – The Trails Fund includes monies for repairs from a semi driving on the trail and cracking the concrete. These funds will be used over the course of many years, as the concrete deteriorates. The Street Fund is FEMA money paid out to us for the ice storm damages. We will use when a need arises.

Conclusion – Response accepted.